

secured by bonds reached a maximum of \$350,692,966 on December 1, 1873, and fell rapidly from that time until November 1, 1876, when the amount was \$301,658,372.¹ The price of bonds as well as the redundancy of currency was beginning to exercise the restraining influence on banknote circulation which in subsequent years forced it within a narrow compass. The contraction of the banknote circulation and the retirement of government currency alarmed the advocates of an ample money supply and led to the resolution of May 31, 1878, providing for a second time that it should not be lawful 'for the Secretary of the Treasury or other officers under him to cancel or retire any more of the United States legal tender notes.' The volume of legal tenders in circulation on the day the Act became law was \$346,681,016, and has remained rigid at this amount since that date, except for the addition of the Treasury notes issued under the Sherman law and the temporary retention of notes in the Treasury.

There was a slight tendency to increase banknote circulation for a time after the revival of business in 1880,² but the increase was sharply arrested in the winter of 1881 by the passage of a bill requiring the banks to deposit a new issue

¹The aggregate circulation on the earlier of these dates was \$352,621,762 and on the later date 1323,241,308. The difference between "secured" and actual circulation is made up by deposits of lawful money with the United States Treasurer for the redemption and cancellation of notes still outstanding, for which the bonded security has been withdrawn by the banks. This "lawful money" fund is reduced as fast as the notes are redeemed from it and retired, but the withdrawal of bonds was so rapid that the amount ran as high as \$107,588,447 on July 1, 1887. The fund stood at \$54,207,975 when the Act of July 14, 1890, (Section 6) directed that it "be covered into the Treasury as a miscellaneous receipt" and that redemptions be made thereafter from the general cash. The notes outstanding redeemable in lawful money on September 30, 1908, were \$48,639,442.

²One of the causes of the decline in secured circulation, as the date approached for the resumption of specie payments, was the fact that the price of the bonds was falling in currency in order to accommo

date itself to the gold basis. This made it profitable to sell before the premium disappeared, as the currency obtained for the bonds was appreciating in value as it approached parity with gold.